LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7044 **DATE PREPARED:** Feb 22, 2001
BILL NUMBER: HB 1797 **BILL AMENDED:** Feb 21, 2001

SUBJECT: Sales Tax Exemptions.

FISCAL ANALYST: John Parkey
PHONE NUMBER: 232-9854

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill provides that transactions involving certain types of telecommunications equipment are exempt from sales tax if the person acquiring the property furnishes or sells intrastate telecommunication service in a retail transaction, regardless of whether the property is used exclusively in the furnishing or sale of an interstate telecommunication service.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This bill expands and clarifies the current state law regarding the sales tax exemption on certain equipment and property used in providing telecommunications services. Under current law, certain transactions involving telecommunications equipment are exempt from the sales tax if that equipment is used for providing telecommunications services. Technological advances, however, have begun to blur the distinctions between equipment used for telecommunication and other services. Firms are now able to use the same infrastructure to provide both telephone and cable services, whereas previously two separate systems would have developed. (Transactions involving the purchase of equipment to provide cable television service are currently subject to sales tax.) The Department of Revenue's current procedure in these mixed-use cases is to exempt equipment transactions if the equipment is predominately used for providing telecommunications services.

The impact of this bill on future state revenue is currently unquantifiable, as it is contingent upon future expansions and development of the infrastructure that is able to provide both telecommunications and other services. However, given the expected growth in television, internet, and cable services that are available to Indiana consumers over a single line into their homes and businesses, the potential loss of state revenue could be significant.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax

Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Tom Conley, Department of Revenue, 232-2107.